

**CITY OF MARQUETTE, MICHIGAN
PETER WHITE PUBLIC LIBRARY**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name City of Marquette Peter White Public Library	County Marquette
Audit Date June 30, 2004	Opinion Date November 12, 2004	Date Accountant Report Submitted to State: December 28, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Co PLLC			
Street Address 102 W. Washington, Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature Alvica Hills CPA			

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LOCAL AUDIT & FINANCE DIV.

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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ESCANABA
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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Trustees
of Peter White Public Library
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities and each major fund of the Peter White Public Library, as of and for the year ended June 30, 2004, which collectively comprise the Peter White Public Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Peter White Public Library as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004 on our consideration of Peter White Public Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 5-9 and 26-27, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Peter White Public Library. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

November 12, 2004

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Peter White Public Library's financial performance provides an overview of the Library's financial activities for the year ended June 30, 2004. Please read it in conjunction with the financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Net assets for the Library as a whole were reported at \$4,678,542. Net assets are comprised of 100% governmental activities.
- During the year, the Library expenses were \$1,988,837, while revenues from all sources totaled \$1,724,085, resulting in a decrease in net assets of (\$264,752).
- The general fund reported a net change in fund balance of \$42,401. This is \$88,362 higher than the forecasted decrease of (\$45,961). This was mainly a result of revenues being higher than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Library as a whole and present a longer-term view of the Library finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Library operations in more detail than the government-wide statements by providing information about the Library most significant funds.

Reporting the Library as a Whole

One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Library's *net assets* and changes in them. You can think of the Library's net assets - the difference between assets and liabilities - as one way to measure the Library's financial health, or *financial position*. Over time, *increases or decreases* in the Library's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Library's patron base and the condition of the Library's capital assets, to assess the *overall financial health* of the Library.

In the Statement of Net Assets and the Statement of Activities, we report all of the Library's activities as governmental activities. Governmental activities include the Library's basic services such as cultural services and general administration. Property taxes and other local sources fund most of these activities.

Reporting the Library's Most Significant Funds

The fund financial statements begin on page 12 and provide detailed information on the most significant funds – not the Library as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Library Board has established other funds to help it control and manage money for particular purposes. The Library's funds are all governmental type funds which use the following accounting methods.

- *Governmental funds* – All of the Library's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Library's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.

The Library as a Whole

Table I provides a summary of the Library's net assets as of June 30, 2004.

Table 1		
Net Assets		
	Governmental Activities	
	2004	2003
Current and other assets	\$2,851,435	\$2,911,290
Capital assets, net	<u>7,531,354</u>	<u>8,052,775</u>
Total Assets	<u>10,382,789</u>	<u>10,964,065</u>
Current liabilities	1,433,360	1,379,099
Noncurrent liabilities	<u>4,270,887</u>	<u>4,641,672</u>
Total Liabilities	<u>5,704,247</u>	<u>6,020,771</u>
Net Assets:		
Invested in capital assets, net of related debt	2,951,354	3,107,775
Restricted	1,408,585	1,545,102
Unrestricted (deficit)	<u>318,603</u>	<u>290,417</u>
Total Net Assets	<u>\$ 4,678,542</u>	<u>\$ 4,943,294</u>

Net assets of the Library's governmental activities stood at \$4,678,542. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$318,603.

The \$318,603 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Library as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2004.

Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program revenues:		
Charges for services	\$ 222,011	\$ 207,933
Operating grants and contributions	455,213	305,981
Capital grants and contributions	-	85,638
General revenues:		
Property taxes	957,892	952,980
Investment earnings	86,031	116,103
Miscellaneous	<u>2,938</u>	<u>4,513</u>
Total Revenues	<u>1,724,085</u>	<u>1,673,148</u>
Program Expenses:		
Recreation and cultures	1,731,920	1,716,728
Interest on long-term debt	<u>256,917</u>	<u>280,151</u>
Total Expenses	<u>1,988,837</u>	<u>1,996,879</u>
Increase (decrease) in net assets	(264,752)	(323,731)
Net assets, beginning	<u>4,943,294</u>	<u>5,267,025</u>
Net Assets, Ending	<u>\$ 4,678,542</u>	<u>\$ 4,943,294</u>

The Library's total revenues were \$1,724,085. The total cost of all programs and services was \$1,988,837, leaving a decrease in net assets of (\$264,752). This decrease was a result of depreciation expense charged to the net assets for the Library as a whole.

Table 3 presents the cost of the Library's largest activity – Recreation and Culture, as well as the program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that the program placed on the Library's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Recreation and Culture	<u>\$ 1,731,920</u>	<u>\$1,054,696</u>

THE LIBRARY'S FUNDS

As the Library completed the year, its governmental funds reported a combined fund balance of \$1,803,075, a decrease of (\$94,116) from the beginning of the year. The majority of this decrease was due to the payment of debt service requirements from accumulated resources instead of through new funding sources.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees of the Peter White Public Library revised the budget several times in response to changes in potential revenues on a City, County and State level. The initial budget adopted by the Board of Trustees in March 2003 contained revenues and expenses of \$1,182,250. In November 2003 the Board implemented a hiring freeze due to an anticipated drop in revenues from penal fines, the Carroll Paul Memorial Trust Fund, State Aid, and State Revenue Sharing. The potential reduction was anticipated to be \$53,900. In February 2004, the Board reduced the expenditures and revenues budget to \$1,127,335 or approximately 5% based on the first half of the budget year. This cut included a continuation of the hiring freeze and a cut in expenditures for materials of 20 to 25 percent.

A change in the management and investment of the Carroll Paul Memorial Trust Fund in April 2003 resulted in increased value and growth in the Fund and a reduction in income. Previously, the Carroll Paul Memorial Trust Fund provided approximately \$20,000 to \$25,000 per year in income that provided funds for programming, equipment and materials. The anticipated income for 2002/2003 was changed to \$12,250. This affected the funds available for the purchase of materials and programming.

The final budget revision occurred in June 2004. The budget was revised to reflect \$1,186,924 in revenues and expenditures. This budget also included the use of \$45,961 in reserve funds to balance the budget. Increased revenues during the 2003/2004 fiscal year were the result of a \$35,573 bequest from the estate of Mary Ann Paulin as well as slight increases from Township contract revenue, library fines, penal fines, interest, land and building rental and services. The Board of Trustees did not have to use funds from the reserve funds due to the unanticipated revenues that materialized at the end of the fiscal year.

The Peter White Public Library received \$1,226,561 in revenues and recorded expenditures of \$1,184,161 for fiscal year 2003/2004. With these adjustments, actual charges to expenditures were \$2,763 less than the final amended budget. Conversely, revenues were \$85,599 higher than the final budget projection.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the Library had \$7,531,354 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of depreciation)

	Governmental Activities	
	2004	2003
Land	\$114,704	\$114,704
Buildings and improvements	6,880,875	7,315,244
Equipment and furnishings	<u>535,775</u>	<u>622,827</u>
Totals	<u>\$ 7,531,354</u>	<u>\$ 8,052,775</u>

Debt

At year-end, the Library had \$4,580,000 in bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2004	2003
1997 Library Improvement Bonds	\$ 3,690,000	\$ 3,855,000
1998 Building Authority Bonds	<u>890,000</u>	<u>1,090,000</u>
Totals	<u>\$ 4,580,000</u>	<u>\$ 4,945,000</u>

There were no new additions to debt for this year and further details on long-term debt can be found in Note D.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Library's appointed officials consider many factors when setting the fiscal year 2005 budget. One of those factors is the economy. The Library's Budget for 2004/2005 will again be impacted by City, County and State revenue reductions. The Board of Trustees adopted a budget of \$1,154,100 in revenues and expenditures for the year. This represents a reduced budget from 2003/2004 of almost 2.5%. This budget included conservative estimates for funding from local, County and State sources. The Board anticipated a cut in State Aid, State Revenue Sharing and Penal Fines for the year due to the State of Michigan's budget situation and a reduction of Marquette County Sheriff's Department road patrol. The Board also budgeted \$10,000 from the Carroll Paul Memorial Trust Fund. In the past, this fund has provided \$20,000 to \$25,000 per year for the purchase of music related expenditures for materials, equipment and programming.

The Board of Trustees did lift the hiring freeze instituted in November 2003. No new positions are being funded, and the Library still has one full time position that has not been filled since January 2004. The City of Marquette has notified the Library Board of Trustees that several large property taxpayers in the City will be appealing their property tax assessments. This could lead to a reduction in property taxes that the Library will receive from the City of Marquette. The Board of Trustees has stepped up fund raising efforts and is also publicizing the Peter White Public Library Endowment Fund invested through the Marquette Community Foundation. Hopefully, these efforts will result in additional funding for the Library.

CONTACTING THE LIBRARY FINANCIAL MANAGEMENT

This financial report is designated to provide our customers, investors and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library Director at Peter White Public Library, 217 North Front Street, Marquette, Michigan, 49855.

City of Marquette, Michigan
Peter White Public Library

STATEMENT OF NET ASSETS

June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 651,106
Investments	1,163,765
Taxes receivable, net	1,018,706
Accounts receivable, net	3,995
Prepaid expenses	<u>13,863</u>
TOTAL CURRENT ASSETS	<u>2,851,435</u>
Noncurrent assets:	
Land	114,704
Other capital assets	11,080,564
Accumulated depreciation	<u>(3,663,914)</u>
TOTAL NONCURRENT ASSETS	<u>7,531,354</u>
TOTAL ASSETS	<u>10,382,789</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	26,072
Deferred revenue	1,022,288
Bonds payable - due in one year	<u>385,000</u>
TOTAL CURRENT LIABILITIES	<u>1,433,360</u>
Noncurrent liabilities:	
Bonds payable - due in more than one year	4,195,000
Compensated absences	<u>75,887</u>
TOTAL NONCURRENT LIABILITIES	<u>4,270,887</u>
TOTAL LIABILITIES	<u>5,704,247</u>
NET ASSETS:	
Invested in capital assets, net of related debt	2,951,354
Restricted:	
Retirement of debt	668,981
Endowments	739,604
Unrestricted	<u>318,603</u>
TOTAL NET ASSETS	<u>\$ 4,678,542</u>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan
Peter White Public Library**

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2004

<u>Function / Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Recreation and culture	\$ 1,731,920	\$ 222,011	\$ 455,213	\$ (1,054,696)
Interest on long-term debt	256,917	-	-	(256,917)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,988,837	\$ 222,011	\$ 455,213	(1,311,613)
		General revenues:		
		Property taxes		957,892
		Interest and investment earnings		86,031
		Miscellaneous		2,938
				<u>1,046,861</u>
				(264,752)
		Net assets, beginning of year		<u>4,943,294</u>
				<u>\$ 4,678,542</u>

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan
Peter White Public Library**

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2004

	General Fund	Carroll Paul Memorial Trust Fund	1997 Library Improvement Debt Fund	1998 Building Authority Debt Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 253,939	\$ 21,999	\$ 6,779	\$ 368,389	\$ 651,106
Investments	152,347	717,605	-	293,813	1,163,765
Taxes receivable, net	645,444	-	373,262	-	1,018,706
Accounts receivable, net	3,995	-	-	-	3,995
Prepaid expenditures	13,863	-	-	-	13,863
TOTAL ASSETS	\$ 1,069,588	\$ 739,604	\$ 380,041	\$ 662,202	\$ 2,851,435
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 26,072	\$ -	\$ -	\$ -	\$ 26,072
Deferred revenue	649,026	-	373,262	-	1,022,288
TOTAL LIABILITIES	675,098	-	373,262	-	1,048,360
FUND BALANCE:					
Reserved for:					
Retirement of debt	-	-	6,779	662,202	668,981
Endowments	-	739,604	-	-	739,604
Unreserved, reported in:					
General Fund	394,490	-	-	-	394,490
TOTAL FUND BALANCE	394,490	739,604	6,779	662,202	1,803,075
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,069,588	\$ 739,604	\$ 380,041	\$ 662,202	\$ 2,851,435

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan
Peter White Public Library

RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2004

Total Fund Balances for Governmental Funds \$ 1,803,075

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds

Cost of capital assets	11,195,268	
Accumulated depreciation	<u>(3,663,914)</u>	7,531,354

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds:

Bonds payable	(4,580,000)	
Compensated absences	<u>(75,887)</u>	(4,655,887)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 4,678,542

The accompanying notes are an integral part of these financial statements.

**City of Marquette, Michigan
Peter White Public Library**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2004

	General Fund	Carroll Paul Memorial Trust Fund	1997 Library Improvement Debt Fund	1998 Building Authority Debt Fund	Total Governmental Funds
REVENUES:					
Property taxes	\$ 598,884	\$ -	\$ 359,008	\$ -	\$ 957,892
State sources	46,285	-	-	-	46,285
Local sources	276,941	-	-	-	276,941
Charges for services	45,626	-	-	-	45,626
Fines and forfeiture	141,114	-	-	-	141,114
Rentals	35,271	-	-	-	35,271
Contributions from private sources	73,081	-	-	-	73,081
Investment income	6,422	81,201	-	58,906	131,987
Other	2,938	-	-	(1,592)	86,031
					2,938
TOTAL REVENUES	1,226,562	81,201	359,008	57,314	1,724,085
EXPENDITURES:					
Recreation and Culture:					
Personnel services	770,840	-	-	-	770,840
Supplies	53,274	-	-	-	53,274
Musical supplies and services	-	10,182	-	-	10,182
Other services and charges	281,996	1,941	-	-	283,937
Capital outlay	78,051	-	-	-	78,051
Debt service	-	-	-	-	-
Principal retirement	-	-	165,000	200,000	365,000
Interest and fiscal charges	-	-	202,664	54,253	256,917
TOTAL EXPENDITURES	1,184,161	12,123	367,664	254,253	1,818,201
NET CHANGE IN FUND BALANCE	42,401	69,078	(8,656)	(196,939)	(94,116)
Fund balance, beginning of year	352,089	670,526	15,435	859,141	1,897,191
FUND BALANCE, END OF YEAR	\$ 394,490	\$ 739,604	\$ 6,779	\$ 662,202	\$ 1,803,075

The accompanying notes are an integral part of these financial statements.

City of Marquette, Michigan
Peter White Public Library

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (94,116)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ -	
Depreciation expense	<u>(521,421)</u>	(521,421)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 365,000

Some expenses such as accrued sick and vacation expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (14,215)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (264,752)</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF MARQUETTE, MICHIGAN
PETER WHITE PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Peter White Public Library (the "Library") conform to accounting principles generally accepted in the United States of America applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

(A) DESCRIPTION

The Library is a discretely presented component unit of the City of Marquette and was created under Local Acts of 1891, Section No. 254. The Library's governing body consists of five trustees appointed by the City of Marquette's Mayor with the confirmation of the City Commission.

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds). The government-wide financial statements (i.e. the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual funds are reported as separate columns in the fund financial statements.

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FUND FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Library receives the cash.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first. Unrestricted resources are used as they are needed.

The financial transactions of the Library are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Library reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Carroll Paul Memorial Trust Fund - The Carroll Paul Memorial Trust fund is a special revenue fund of the Library. It is used to account for the trust arrangement that supports the musical programs of the Library.

1997 Library Improvement Debt Service Fund and 1998 Building Authority Debt Service Fund - The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Property Taxes

City of Marquette property taxes attach as an enforceable lien on property as of January 1. Taxes are levied no later than the third Monday in May and payable on July 1. Taxes receivable are recorded when levied, as the legal right to receive exists. However, such revenues are not normally received until after the 60 day period following the fiscal year-end. Accordingly, deferred revenue is being recognized for such amounts.

Capital Assets

Capital assets, which include property, plant and equipment, are reported within the governmental activities in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements. Accumulated depreciation is reported on the government-wide statement of net assets. The straight-line depreciation method is applied over the estimated useful life of capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	25-40 years
Equipment and furnishings	5-15 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Liabilities

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net assets. In the governmental funds financial statements, long-term debt is not reported as liabilities. The debt proceeds are reported as other financing sources and the payment of principal and interest is reported as expenditures. The Library's debt consists primarily of bonds that are the general obligation of the Library and is backed by the City of Marquette's full faith and credit.

Budgets and Budgetary Accounting

The City of Marquette follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the third Monday in April, the City Manager submits to the City Commission a proposed operating budget, approved by the Library's Board of Trustees for the ensuing fiscal year commencing July 1 in accordance with Section 8.2 of the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than the first Monday in May, the budget is adopted by the City Commission in accordance with the provisions of Section 8.6 of the City Charter.
4. The City Commission adopts the budget by functional categories as presented in the Combined Statements. Any transfers of appropriations between functions must be approved by the City Commission. All unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the General fund, all Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Informational budget summaries only are adopted for the Enterprise and Internal Service Funds. Such funds are not covered under the State of Michigan's Public Act 621 nor the City of Marquette's General Appropriations Act.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

7. The legally adopted budgets for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds and the informational summaries for the Enterprise and Internal Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Interfund Activity

The effect of interfund activity has been eliminated from the government-wide statements. In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded in the fund financial statements.

Cash Equivalents

For purposes of balance sheet classification, the Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE B - DEPOSITS AND INVESTMENTS:

Act 196, PA 1997, authorized the Library to deposit and invest in the following:

1. Bonds and other direct obligations of the United States or its agencies.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of Federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended.
3. Commercial paper rated at the time of purchases within two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
4. United States government or Federal agency obligation repurchase agreements.
5. Banker's acceptance of United States banks.
6. Mutual funds composed of investments which are legal for direct investments by Local units of government in Michigan.
7. Obligations of the State of Michigan or its political subdivisions which are rated investment grade.
8. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

It appears as though some of the Library's funds invested in Trust accounts are being held in an investment type not defined as permissible under P.A. 20 of 1943, as amended. Further review disclosed that in 1960 the Library was a recipient of an estate gift of which the principal was to remain in tact and the investment income from which is available for use in normal operations. In the opinion of legal counsel, with this restriction the investment portfolio is permissible and the prohibitions and restriction of the Act do not apply. The other investments are the result of current donations for the purpose of financing the Library Expansion Project and are expected to be liquidated, as resources are needed.

NOTE B - DEPOSITS AND INVESTMENTS (Continued):

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The composition of cash and investments as reported in the government-wide Statement of Net Assets is as follows:

Cash and equivalents	\$ 651,106
Investments	<u>1,163,765</u>
	<u>\$1,814,871</u>

The carrying amount of the Library's deposits with financial institutions was \$651,106 and the bank balance was \$651,106. The bank balance is insured by the FDIC or uncollateralized with securities held by the Library in its name to the extent of the City of Marquette's pooled cash categorization.

Investments

The Library's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the Library's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Library's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, but not in the Library's name. Investments are carried at fair market value.

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>
Unrestricted Investments:				
U.S. Government Obligations	\$293,814	\$ -	\$ -	\$293,814
Common Stock	445,406	-	-	445,406
Corporate Bonds	<u>424,545</u>	-	-	<u>424,545</u>
TOTAL	<u>\$1,163,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,163,765</u>

NOTE C -CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2004 is as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Capital assets not being depreciated:				
Land	\$ 114,704	\$ -	\$ -	\$ 114,704
Capital assets being depreciated:				
Buildings	60,092	-	-	60,092
Building improvements	8,788,004	-	-	8,788,004
Furniture and equipment	<u>2,232,468</u>	-	-	<u>2,232,468</u>
Total Capital Assets	<u>11,195,268</u>	-	-	<u>11,195,268</u>
Less accumulated depreciation:				
Buildings	9,515	1,202		10,717
Building improvements	1,523,337	433,167		1,956,504
Furniture and equipment	<u>1,609,641</u>	<u>87,052</u>	-	<u>1,696,693</u>
Total Accumulated Depreciation	<u>3,142,493</u>	<u>521,421</u>	-	<u>3,663,914</u>
Capital Assets, net	<u>\$8,052,775</u>	<u>\$521,421</u>	<u>\$ -</u>	<u>\$7,531,354</u>

NOTE B – CAPITAL ASSETS (Continued):

Total depreciation expense of \$521,421 was included in the Recreation & Culture program governmental activities.

NOTE D - LONG-TERM DEBT:

Changes in long-term debt during the year ended June 30, 2004 are summarized as follows:

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
1997 General Obligation Bonds - Library Improvement	\$ 3,855,000	\$ -	\$ 165,000	\$3,690,000
1998 Building Authority Bonds - Library	1,090,000	-	200,000	890,000
Accrued Compensated Absences	<u>61,672</u>	<u>19,368</u>	<u>5,153</u>	<u>75,887</u>
TOTAL LONG-TERM DEBT	<u>\$5,006,672</u>	<u>\$ 19,368</u>	<u>\$370,153</u>	<u>\$4,655,887</u>

On December 27, 1997, the City of Marquette, Michigan, issued \$4,500,000 General Obligation Unlimited Tax Library Improvement Bonds for the purpose of defraying a portion of the cost of expanding and renovating the Peter White Public Library located in the City of Marquette. The bonds were issued pursuant to the provisions of Act 227, Public Acts of Michigan, 1985, as amended. The full faith and credit of the City of Marquette are pledged for the payment of the principal and of the interest on the bonds when due. There shall be levied upon all taxable property in the City an amount such that the estimated collections therefrom will be sufficient to pay the principal and interest on the bonds while outstanding.

On June 16, 1998, the City of Marquette Building Authority, issued \$2,000,000 Building Authority Bonds (Peter White Public Library) Series 1998 for the purpose of defraying the cost of renovating, constructing, furnishing and equipping improvements to the existing Peter White Public Library. The bonds were issued pursuant to the provisions of Act 31 of P.A. 1948, as amended. The bond's principal and interest are payable from lease payments required to be paid by the Library to the Building Authority pursuant to the Contract of Lease between the City and the Authority. When all of the Building Authority Bonds have been retired the Authority shall convey all rights, title, and interest to the Library.

The detail of the annual principal and interest requirements through maturity for all bonded debt outstanding as of June 30, 2004 are as follows:

<u>Maturities</u>	<u>1997 G.O. Bonds Library Improvement</u>	<u>1998 Building Authority Bonds - Library</u>	<u>Totals</u>
Year Ending June 30:			
2005	\$368,001	\$249,152	\$617,153
2006	367,327	248,697	616,024
2007	369,473	247,679	617,152
2008	369,583	256,149	625,732
2009	369,118	-	369,118
2010 and Thereafter	<u>3,329,035</u>	<u>-</u>	<u>3,329,035</u>
	5,172,537	1,001,677	6,174,214
Less Interest	<u>(1,482,537)</u>	<u>(111,677)</u>	<u>(1,594,214)</u>
	<u><u>\$3,690,000</u></u>	<u><u>\$ 890,000</u></u>	<u><u>\$4,580,000</u></u>

NOTE E - DEFERRED REVENUES:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Library has reported deferred revenue of \$1,018,706 which relates to its portion of the City of Marquette's 2004 tax levy and \$3,582 related to grant activity.

NOTE F - DEFINED BENEFIT PENSION PLAN:

Plan Description

Through the City of Marquette, the Library contributes to the Michigan Municipal Employees Retirement System (System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

All full-time employees of the Library are eligible to participate in the System. Benefits vest after six years for senior management and after ten years for all others. City employees who retire at or after the age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, annual benefits are determined by negotiated contractual benefits within statute guidelines. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Active employees with 10 or more years of service, who become disabled receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired service is less than 10 years.

If an active employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

Funding Policy

City employees are required to contribute five percent of their annual compensation to the System. The City pays the contribution for senior management. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

Funding information is not available for the Library as a separate unit. Therefore, the information given is the total of the City of Marquette and the Library. For the year ended June 30, 2004, the City's annual pension cost of \$521,245 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry age normal cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8%, (b) projected salary increases of 4.5% a year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to

NOTE F - DEFINED BENEFIT PENSION PLAN (Continued):

4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten year trend information is as follows:

City of Marquette, Michigan
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN
DEFINED BENEFIT PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>December 31</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
1994	\$10,673,555	\$11,133,695	\$460,140	96%	\$4,684,593	10 %
1995	11,393,263	11,735,154	341,891	97	4,590,387	7
1996	12,436,500	13,648,879	1,212,379	91	4,717,183	26
1997	13,630,932	15,461,563	1,830,631	88	4,800,223	38
1998	15,257,550	16,216,678	959,128	94	5,031,270	19
1999	16,969,765	17,430,314	460,549	97	4,909,541	9
2000	18,722,203	20,136,439	1,414,236	93	4,803,572	29
2001	20,056,537	23,113,321	3,056,784	87	5,039,800	61
2002	20,799,934	24,588,188	3,788,254	85	5,227,706	72
2003	22,629,322	25,997,838	3,368,516	87	5,393,986	65

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30	Valuation Date <u>December 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1995	1992	\$ 0	100.0%	\$ 0
1996	1993	40,840	100.0%	0
1997	1994	103,124	100.0%	0
1998	1995	153,696	100.0%	0
1999	1996	295,912	100.0%	0
2000	1997	424,066	100.0%	0
2001	1998	381,485	100.0%	0
2002	1999	399,053	100.0%	0
2003	2000	456,453	100.0%	0
2004	2001	521,245	100.0%	0

NOTES TO THE REQUIRED SCHEDULES

The required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% per year,

NOTE F - DEFINED BENEFIT PENSION PLAN (Continued):

compounded annually, (b) projected salary increases of 4.5% per year, compounded annually, attributable to inflation, and (c) additional projected salary increases ranging from 0.00% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on an open basis over a period of 30 years.

NOTE G – BUDGETARY NONCOMPLIANCE:

Excesses of expenditures over appropriations in the individual government funds are as follows:

General Fund:

Supplies	\$ 189
Other services and charges	3,072
Capital outlay	1,172

Special Revenue Fund:

Recreation and Culture	2,123
------------------------	-------

Budget amendments are required by State law when it appears that the actual and probable revenues from taxes and other sources in a fund are less than the estimated revenues, including an available fund balance upon which appropriations from the fund were based, which would prevent expenditures from exceeding available revenues for that current fiscal year.

Required Supplemental Information

**City of Marquette, Michigan
Peter White Public Library**

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 612,700	\$ 598,971	\$ 598,884	\$ (87)
State sources	37,000	30,884	46,285	15,401
Local sources	270,000	265,853	276,941	11,088
Charges for services	34,500	42,700	45,626	2,926
Fines and forfeiture	132,000	131,800	141,114	9,314
Rentals	25,000	31,000	35,271	4,271
Contributions from private sources	23,500	37,055	73,081	36,026
Investment income	15,000	-	6,422	6,422
Other	32,550	2,700	2,938	238
TOTAL REVENUES	<u>1,182,250</u>	<u>1,140,963</u>	<u>1,226,562</u>	<u>85,599</u>
EXPENDITURES:				
Recreation and Culture:				
Personnel services	756,400	778,036	770,840	7,196
Supplies	45,500	53,085	53,274	(189)
Other services and charges	265,700	278,924	281,996	(3,072)
Capital outlay	114,650	76,879	78,051	(1,172)
TOTAL EXPENDITURES	<u>1,182,250</u>	<u>1,186,924</u>	<u>1,184,161</u>	<u>2,763</u>
NET CHANGE IN FUND BALANCE	-	(45,961)	42,401	88,362
Fund balance, beginning of year	<u>352,089</u>	<u>352,089</u>	<u>352,089</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 352,089</u>	<u>\$ 306,128</u>	<u>\$ 394,490</u>	<u>\$ 88,362</u>

**City of Marquette, Michigan
Peter White Public Library**

CARROLL PAUL MEMORIAL TRUST FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment income	\$ 10,000	\$ 10,000	\$ 81,201	\$ 71,201
Other	-	-	-	-
TOTAL REVENUES	<u>10,000</u>	<u>10,000</u>	<u>81,201</u>	<u>71,201</u>
EXPENDITURES:				
Recreation and Culture:				
Muscial supplies and services	10,000	10,000	10,182	(182)
Other services and charges	-	-	1,941	(1,941)
TOTAL EXPENDITURES	<u>10,000</u>	<u>10,000</u>	<u>12,123</u>	<u>(2,123)</u>
NET CHANGE IN FUND BALANCE	-	-	69,078	69,078
Fund balance, beginning of year	670,526	670,526	670,526	-
FUND BALANCE, END OF YEAR	<u>\$ 670,526</u>	<u>\$ 670,526</u>	<u>\$ 739,604</u>	<u>\$ 69,078</u>

Other Supplemental Information

**City of Marquette, Michigan
Peter White Public Library**

1997 LIBRARY IMPROVEMENT DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 367,664	\$ 359,008	\$ (8,656)
Other	-	-	-
TOTAL REVENUES	<u>367,664</u>	<u>359,008</u>	<u>(8,656)</u>
EXPENDITURES:			
Debt Service:			
Principal	165,000	165,000	-
Interest and fiscal charges	202,664	202,664	-
TOTAL EXPENDITURES	<u>367,664</u>	<u>367,664</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(8,656)	(8,656)
Fund balance, beginning of year	<u>15,435</u>	<u>15,435</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 15,435</u>	<u>\$ 6,779</u>	<u>\$ (8,656)</u>

**City of Marquette, Michigan
Peter White Public Library**

1998 BUILDING AUTHORITY DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Private sources	\$ -	\$ 58,906	\$ 58,906
Investment income	12,000	(1,592)	(13,592)
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>12,000</u>	<u>57,314</u>	<u>45,314</u>
EXPENDITURES:			
Debt Service:			
Contingencies	-	-	-
Principal	200,000	200,000	-
Interest and fiscal charges	54,253	54,253	-
	<u>254,253</u>	<u>254,253</u>	<u>-</u>
TOTAL EXPENDITURES	<u>254,253</u>	<u>254,253</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(242,253)	(196,939)	45,314
Fund balance, beginning of year	859,141	859,141	-
	<u>859,141</u>	<u>859,141</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 616,888</u>	<u>\$ 662,202</u>	<u>\$ 45,314</u>

COMPLIANCE SUPPLEMENT



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Trustees
of Peter White Public Library
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities and each major fund of the Peter White Public Library as of and for the year ended June 30, 2004, which collectively comprise the Peter White Public Library's basic financial statements, and have issued our report thereon dated November 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Peter White Public Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to management dated November 12, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Peter White Public Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Peter White Public Library in a separate letter dated November 12, 2004.

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

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52-8010

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

November 12, 2004

To the Members of the Board of Trustees
of Peter White Public Library
City of Marquette, Michigan 49855

In planning and performing our audit of the financial statements of the Peter White Public Library for the year ended June 30, 2004, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure for which we feel consideration should be given.

Instances of Non-Compliance

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The Library was found to be in violation of the legal and contractual provisions of Public Act 621 in the following areas:

Excess Expenditures over Appropriations

General Fund:

Supplies	\$ 189
Other services and charges	3,072
Capital outlay	1,172

Special Revenue Fund - Carroll Paul Memorial Trust Fund:

Recreation and culture	\$2,123
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Other Comments and Recommendations

GASB No. 34 Implementation – Capital Assets

The Library implemented Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" for the year ended June 30, 2003. As part of the Statement No. 34 implementation, the Library reported its general capital assets and accumulated depreciation for the first time in the financial statements. The amounts reported were developed from the City's financial records of asset purchases. The Library should take an inventory of its major capital assets and/or review the City's detailed asset listing for appropriate valuation of its capital asset balances and continued existence of the assets listed.

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This report is intended solely for the information and use of the Library's management, and others within the City of Marquette's Administration.

We appreciate and would like to thank the Library's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC

Certified Public Accountants